

PUBLIC DISCLOSURE

JUNE 23, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BARRE SAVINGS BANK

90148

56 COMMON STREET
BARRE, MASSACHUSETTS 01005

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks (the "Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **BARRE SAVINGS BANK**, prepared by the Division, the institution's supervisory agency, as of **JUNE 23, 2004**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The Bank's overall CRA rating is based upon its performance under the five criteria contained herein. The following is a summarization of the findings, presented in descending order of weight given to each criteria, that were utilized in formulating the bank's overall CRA rating:

Distribution of Credit among Different Income Levels

There was a substantial distribution of HMDA-reportable lending to individuals of low- and moderate-income, given the demographics of the Bank's assessment area.

Comparison of Credit Extended Inside And Outside of the Assessment Area(s)

A majority of the Bank's HMDA-reportable lending was originated inside its assessment area.

Loan to Deposit Analysis

The Bank was determined to have a reasonable level of net loan to deposit ratios over the eight quarter period reviewed.

Geographic Distribution of Loans

The Bank made a strong penetration of HMDA-reportable lending to the middle-income census tracts in its assessment area. There are no low- or moderate-income census tracts within the Bank's assessment area.

Review of Complaints/Fair Lending Policies and Practices

The Bank's fair lending policies and practices are considered reasonable. No weight was given to a review of complaints, as none have been received since the prior examination.

DESCRIPTION OF INSTITUTION

Barre Savings Bank is a mutual savings bank, incorporated under the laws of the Commonwealth of Massachusetts in 1869.

As of March 31, 2004, the Bank had \$126,465,000 in total assets. Of these total assets, \$83,458,000, or 66.0 percent, were in the form of loans (net). The following table depicts the Bank's loan portfolio composition, based on its March 2004 Federal Deposit Insurance Corporation ("FDIC") Quarterly Call Report.

Barre Savings Bank Loan Portfolio as of March 31, 2004	
Type of Loans	% of Total Loans
Construction & Land Development	3.1
Secured by Farmland	0.8
Residential Real Estate	
a. 1-4 Family Mortgages	78.7
b. Home Equity Lines (includes second mortgages)	8.7
Multifamily	1.7
Commercial Loans	
a. Commercial Real Estate	4.4
b. Commercial & Industrial Loans	0.6
Consumer Loans	
a. Credit Cards & Related Plans	
b. Loans to Individuals/Other Loans	2.0
Total Loans	100.0

Source: FDIC Call Report, 03/31/04

As indicated, overall residential real estate lending represents the majority of the Bank's portfolio, at 87.4 percent. The second largest segment of the loan portfolio is overall commercial lending at 5.0 percent.

The Bank operates three branch office locations: its main office located on Common Street in Barre, a branch office in Paxton, and an office in Princeton.

There appears to be no legal or regulatory impediments that would affect the Bank in meeting the needs of its community. The FDIC conducted the previous CRA evaluation on February 3, 2003. That examination resulted in a "Satisfactory" rating. The Division conducted its previous CRA evaluation as of January 11, 1999. That examination resulted in a "High Satisfactory" rating.

Description of Assessment Area

The following table reflects the Bank's assessment area by Metropolitan Statistical Area ("MSA") and by county. Also included in the table are the Department of Housing and Urban Development's ("HUD") estimated Median Family Incomes (2002 and 2003) for the respective MSA.

Assessment Area by Metropolitan Statistical Area (MSA)			
Worcester		Massachusetts Non	
Counties			
Worcester		Worcester	
Communities			
Princeton, Rutland, Oakham, Barre, Paxton, and Holden		Phillipston, Petersham, Hubbardston, Hardwick, and New Braintree	
Median Family Incomes (\$)			
2002	2003	2002	2003
58,400	68,000	52,100	60,300

Source: PCI Services, Inc., CRA Wiz Software.

Demographic and Economic Data

Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. However, the number of census tracts and income groupings of the tracts in the Bank's assessment area did not change.

The following table reflects selected housing characteristics, based upon **1990** census data, for each of the census tract income groupings in the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 1990 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Middle	36.4	40.4	42.3	38.0	55.6	66.4	127,027
Upper	63.6	59.6	57.7	62.0	44.4	33.6	164,287
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	148,517

Source: U.S. Census

In addition, the following table reflects selected housing characteristics, based upon **2000** census data, for each of the census tract income groupings in the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 2000 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
Middle	36.4	42.2	43.6	39.3	60.2	70.6	137,764
Upper	63.6	57.8	56.4	60.7	39.8	29.4	170,522
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	156,252

Source: U.S. Census

Description of Aggregate Data Utilized/Lending Activity

Aggregate data, for residential mortgage lending performance purposes only, constitutes 270 (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the Bank's assessment area (source: PCI Services, Inc., CRA Wiz). The total number of originations/purchases received by these lenders in calendar year 2002 was 4,856. The following table reflects the top five lenders (in descending order) within the Bank's assessment area in 2002:

Lending Activity in Barre Savings Bank's Assessment Area			
Rank	Lenders	Number of Loans	Market Share Percentage
1	Fleet National Bank	338	7.0
2	Washington Mutual Bank, FA	314	6.5
3	Countrywide Home Loans	260	5.4
4	Wells Fargo Home Mortgage	216	4.5
5	Ohio Savings Bank	194	4.0

Source: PCI Services, Inc., CRA Wiz Software.

Barre Savings Bank ranked 11th with 113 loans and a 2.3 percent market share.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Based upon the following, the Bank's net loan to deposit ratio appears to be reasonable and, as such, was determined to meet the standards for satisfactory performance.

An analysis of the Bank's net loan to deposit ratios was performed. The calculation incorporated eight quarters of the Bank's net loan to deposit figures, as reflected in its quarterly FDIC Call Reports. The quarters reviewed included the periods from June 2002 through March 2004. The Bank's net loan to deposit ratio, on average, was 74.4 percent. This ratio has fluctuated from a low of 69.2 percent in December 2002, to a high of 78.4 percent in September 2003.

The following illustrates Barre Savings Bank's net loan to deposit trends.

Barre Savings Bank's Loan to Deposit Ratios*	
Dates	Ratio (%)
June 30, 2002	70.4
September 30, 2002	70.8
December 31, 2002	69.2
March 31, 2003	73.5
June 30, 2003	77.8
September 30, 2003	78.4
December 31, 2003	77.5
March 31, 2004	77.2

* Source: FDIC Call Reports.

Over the period reflected in the table, the Bank's net loan portfolio increased by 14.0 percent, while deposits grew by 4.0 percent. From March 31, 2003 through March 31, 2004, the Bank's loan portfolio increased by 5.7 percent, while deposits grew by 0.6 percent.

The Bank retains the majority of its originated mortgage loans for its own loan portfolio. However, since 2002, the Bank has sold some of its fixed rate 30-year mortgages to Federal National Mortgage Association (FNMA/FannieMae). Since that time, the Bank sold 25 fixed rate mortgages, totaling \$3.3 million.

A comparison of the Bank's loan to deposit ratio to that of a representative selection of area financial institutions was also performed. As of March 31, 2004, the Bank had total assets of \$126,465,000 and a net loan to deposit ratio of 77.2 percent. The following table reflects the total assets and loan to deposit ratios of the Bank's closest competitors:

COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS*		
Institution	Total Assets \$(000)	Net Loan to Total Deposit Ratios (%)
Athol Savings Bank	255,288	77.7
Barre Savings Bank	126,465	77.2
Country Bank For Savings	982,593	79.6
Ware Co-operative Bank	61,185	77.8

*As of March 31, 2004.

Based on the aforementioned analysis, the Bank has achieved a reasonable loan to deposit level given its capacity to lend and the credit needs of its assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

Based upon the following data, the Bank's penetration of its HMDA-reportable lending within its assessment area is considered to be reasonable. Consequently, this pattern of lending was determined to meet the standards for satisfactory performance.

Residential Mortgage Lending

An analysis of Home Mortgage Disclosure Act ("HMDA") reportable lending extended both inside and outside the Bank's assessment area for the period under review was performed. For the purposes herein, the period under review for HMDA-reportable lending was calendar years 2002 and 2003. A HMDA-reportable loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans.

The following table illustrates the Bank's level of HMDA-reportable lending both inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2002	113	67.3	13,615	65.1	55	32.7	7,314	34.9	168	100.0	20,929	100.0
2003	199	71.3	25,878	68.9	80	28.7	11,665	31.1	279	100.0	37,543	100.0
Total	312	69.8	39,493	67.5	135	30.2	18,979	32.5	447	100.0	58,472	100.0

Source: HMDA LAR, CRA Wiz

As indicated, the Bank granted a majority of the number and dollar volume of its HMDA-reportable lending to those communities within its assessment area.

The Town of Barre accounted for the most HMDA-reportable lending. For calendar year 2002, the Bank granted 43 loans (25.6 percent) for \$4,325,000 (20.7 percent) in Barre. For calendar year 2003, the Bank granted 66 loans (23.7 percent) for \$7,532,000 (20.1 percent) in Barre.

Therefore, given the size and the resources available to the Bank, the level of HMDA reportable lending within its assessment area is considered reasonable.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Based upon the subsequent analysis, the Bank's distribution of its HMDA-reportable lending within its assessment area to borrowers of different incomes is considered to be substantial. Therefore, the Bank was determined to exceed the standards for satisfactory performance in this criterion.

An analysis of HMDA-reportable lending extended within the Bank's assessment area, among various income levels for the period under review, was performed. Originations were categorized by the ratio of the applicants' reported incomes to the 2002 and 2003 estimated median family incomes of the appropriate MSA (refer to the Performance Context Section).

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate-income is defined as 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income greater than 120 percent of the median family income.

The following analysis also includes 2002 aggregate data (exclusive of Barre Savings Bank) of HMDA-reportable lending by percentage, as well as demographic data on the percentage of households (per **1990** and **2000** census data) in the assessment area in each respective income group.

Refer to the following.

Distribution of Home Mortgage Loans by Borrower Income									
Median Family Income Level	% Total Family Households Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		% Total Family Households Per 2000 Census Data	2003 Bank Data		Total	
			#	%		#	%	#	%
Low~	19.0	1.8	3	2.7	17.6	10	5.0	13	4.2
Moderate	17.9	10.2	22	19.5	19.8	33	16.6	55	17.6
Middle	26.3	24.9	33	29.2	23.6	70	35.2	103	33.0
Upper	36.8	49.2	51	45.1	39.0	84	42.2	135	43.3
NA	0.0	13.9	4	3.5	0.0	2	1.0	6	1.9
Total	100.0	100.0	113	100.0	100.0	199	100.0	312	100.0

Source: HMDA LAR, CRA Wiz

Ø Included in the low-income category (per the **1990** census data) are 266 households within the assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a residential mortgage loan.

Included in the low-income category (per the **2000** census data) are 262 households within the assessment area whose income is considered to be below poverty level, and thus, unlikely to qualify for a residential mortgage loan.

It should be noted that those originations designated as not applicable (NA) loans are either:

The borrowers' income was not taken into account when granting the loan;

The borrower is an employee; or

The loan was purchased.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

As indicated in the table, the Bank's percentage of lending to low- and moderate-income borrowers is significantly above that of the aggregate in 2002. For calendar year 2003, the percentage of lending in the low-income category has increased, while the percentage of lending in the moderate-income category declined somewhat.

By dollar volume in 2002, the Bank originated 1.3 percent of its HMDA-reportable lending to low-income borrowers, exceeding the 2002 aggregate data by dollar volume of 0.9 percent to low-income borrowers. Lending by dollar volume to moderate-income borrowers was 14.0 percent, while aggregate lending was 7.5 percent to those borrowers in 2002.

For calendar year 2003, the Bank's HMDA-reportable lending by dollar volume was 2.5 percent to low-income borrowers and 13.0 percent to moderate-income borrowers. Also of particular note is the marked increase in the dollar volume of loans granted in these two income categories.

Therefore, over the period reviewed the Bank's level of HMDA-reportable lending to borrowers of low- and moderate-income is considered to be significant.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The following analysis indicates that the Bank appears to have achieved a reasonable penetration of its HMDA-reportable lending to the census tracts within its assessment area. Therefore, the Bank was determined to meet the standards for satisfactory performance at this time.

Based upon both **1990** and **2000** census data, the Bank's assessment area contained eleven census tracts. Of those tracts, four (36.4 percent) are middle-income, and seven (63.6 percent) are upper-income. There are no low- or moderate-income census tracts within the Bank's assessment area.

Further, an analysis of the Bank's HMDA-reportable lending extended within the various census tracts contained within its assessment area for calendar year 2003 was also conducted. It should be noted that, as of January 1, 2003, a revision to Regulation C (HMDA reporting) went into effect. This revision states in part..."For all applications and loans reported on lenders' 2003 HMDA/LARs, lenders must use the census tract numbers and corresponding geographic areas from the 2000 census."

An analysis of HMDA-reportable lending extended within the various census tracts contained within the Bank's assessment area was also conducted. The following table presents the Bank's performance, as well as the 2002 aggregate data (exclusive of Barre Savings Bank) of HMDA-reportable lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units (per **1990** and **2000** census data) in each of the census tract income categories.

Distribution of Home Mortgage Loans by Income Category of the Census Tract									
Census Tracts	% Total Owner-Occupied Housing Units Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		% Total Owner-Occupied Housing Units Per 2000 Census Data	2003 Bank Data		Total	
			#	%		#	%	#	%
Middle	38.0	35.6	69	61.1	39.4	120	60.3	189	60.6
Upper	62.0	64.4	44	38.9	60.6	79	39.7	123	39.4
Total	100.0	100.0	113	100.0	100.0	199	100.0	312	100.0

Source: HMDA LAR, CRA Wiz

Of particular note is the Bank's lending to the middle-income census tracts within its assessment area in both 2002 and 2003. For that period, the percentage of the Bank's HMDA-reportable lending was consistently and significantly above both the aggregate and the demographic data.

By dollar volume in 2002, the Bank originated 55.8 percent of its HMDA-reportable lending to the middle-income tracts. This was also well above the 2002 aggregate data by dollar volume of 32.4 percent to those tracts. In 2003, the Bank had 57.4 percent of the dollar volume of its HMDA-reportable lending going to the middle-income census tracts.

In conclusion, although lacking low- and moderate-income census tracts within its assessment area, the Bank's penetration of its middle-income census tracts within its assessment area is considered to be very strong.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

The Bank received no CRA related complaints in the period under review. The Bank has a satisfactory record of implementing fair lending policies and practices. The following discussion is based on the guidelines of the Division's Regulatory Bulletin 2-3-101. The institution's loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act and the Fair Housing Act. In the area of fair lending, the Bank's compliance policy addresses second review and employee training.

As a portfolio mortgage lender, the Bank offers 1-year (1/1), 3-year (3/3), 5-year (5/5), and 5/1 Adjustable Rate Mortgage (ARM) products. In addition, the Bank offers 15-, 20-, and 30-year fixed rate mortgage loans. The maximum loan to value (LTV) for mortgage products is 95 percent, with private mortgage insurance required for LTV's over 80 percent. All mortgage loan applications are underwritten to FNMA standards.

The Bank's first time homebuyer product consists of a discounted 5/1 ARM with a 95 percent loan to value (LTV), and expanded qualifying ratios. In the twelve months prior to this evaluation, the Bank originated 3 first time homebuyer 5/1 ARMs for a total of \$403,000. In addition, the Bank promoted its mortgage products in November 2002, and again in March and April of 2003, by offering a reduced closing cost option via a special \$500 off coupon. The coupons appeared in the Bank's newspaper advertisements and on the Bank's website.

The Bank offers both Home Equity Loans and Home Equity Lines of Credit (HELOC). Home Equity Loans have a fixed interest rate, a maximum term of 15 years and an 80 percent LTV. HELOCs have a variable rate (tied to the Prime Rate), a 10-year draw period (with a 15-year repayment term) and maximum LTV of 80 percent. Currently on HELOCs, the Bank offers two discounted interest rate options; the first is a 2.99% (for the first six months) and the second a 0% interest rate (for the first 2 months).

The Bank continues to offer consumer loan products offerings including new and used automobile loans, unsecured personal loans, overdraft protection lines of credit, passbook loans, and other types of secured personal loans. Applications for Home Equity Loans and HELOCs, car loans, and overdraft protection are offered via the Bank's website, www.barrebank.com.

The Bank utilizes two local weekly publications, The Landmark, published in Holden, and The Barre Gazette, published in Barre, to advertise both its banking services and credit products. Both these publications are circulated in the towns within the Bank's assessment area. In addition, the Bank periodically advertises its loan products in the Worcester Telegram and Gazette, which is circulated throughout all of Worcester County. In March of 2004, the Bank participated as an exhibitor in the Worcester County Home Show, held at the Worcester Centrum.

It is the Bank's policy to provide all staff members with ongoing training opportunities in order to keep staff informed of changes in banking regulations and to enhance job knowledge and skills. The Bank's lending staff recently attended seminars on the changes to the Home Mortgage Disclosure Act and teleconference (and internet based) training on FNMA's Desktop Underwriter program.

There is a second review committee comprised of three members of senior management. The committee reviews all denied loan applications, including mortgage, equity, and consumer loan requests.

Minority Application Flow

For the period reviewed, the Bank received a total of two residential mortgage applications and originations from various minority groups, representing 0.6 percent of all applications received from within its assessment area. The 2002 aggregate data indicated 3.4 percent of all the residential applications from within the assessment area were to minority applicants.

In addition, the following table reflects the minority demographics of the Bank's assessment area based upon both the **1990** and the **2000** census data.

Refer to the following.

Distribution of Home Mortgage Loan Applications by Race									
Race	Racial Demographics Per 1990 Census Data	2002 Aggregate Lending Data (% of #)	2002 Bank Data		Racial Demographics Per 2000 Census Data	2003 Bank Data		Total	
			#	%		#	%	#	%
Native American	0.1	0.2	0	0.0	0.1	0	0.0	0	0.0
Asian	0.7	0.5	0	0.0	0.7	1	0.4	1	0.3
Black	0.5	0.4	0	0.0	0.5	1	0.4	1	0.3
Hispanic	0.8	0.3	0	0.0	1.1	0	0.0	0	0.0
Joint Race	0.0	1.0	0	0.0	0.0	0	0.0	0	0.0
Other	0.0	1.0	0	0.0	0.8	0	0.0	0	0.0
Total Minority	2.1	3.4	0	0.0	3.2	2	0.8	2	0.6
White	97.9	62.2	130	100.0	96.8	221	98.8	351	99.1
NA	0.0	34.4	0	0.0	0.0	1	0.4	1	0.3
Total	100.0	100.0	130	100.0	100.0	224	100.0	354	100.0

Source: HMDA LAR, CRA Wiz

Given the almost non-existent minority population within its assessment area, the Bank's level of minority applications is considered reasonable.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BARRE SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JUNE 23, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.